

BETH C. DRAIN, CA CSR NO. 7152

BEFORE THE
FINANCE SUBCOMMITTEE OF THE
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
TO THE INSTITUTE FOR REGENERATIVE MEDICINE
ORGANIZED PURSUANT TO THE
CALIFORNIA STEM CELL RESEARCH AND CURES ACT
REGULAR MEETING

LOCATION: AS INDICATED ON THE AGENDA

DATE: MAY 15, 2019
1 P.M.

REPORTER: BETH C. DRAIN, CA CSR
CSR. NO. 7152

FILE NO.: 2019-11

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I N D E X

ITEM DESCRIPTION	PAGE NO.
OPEN SESSION	
1. CALL TO ORDER.	3
2. ROLL CALL.	3
3. CONSIDERATION OF CIRM BUDGET FOR FISCAL YEAR 2019-2020.	4
4. PUBLIC COMMENT.	NONE
5. ADJOURNMENT.	13

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WEDNESDAY, MAY 15, 2019; 1 P.M.

CHAIRMAN JUELSGAARD: THANK YOU, MARIA.
CALL THE MEETING OF THE FINANCE SUBCOMMITTEE OF THE
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE TO ORDER.
MARIA, WOULD YOU GIVE THE ROLL CALL PLEASE.

MS. BONNEVILLE: STEVE JUELSGAARD.

DR. JUELSGAARD: HERE.

MS. BONNEVILLE: JEFF SHEEHY.

MR. SHEEHY: HERE.

MS. BONNEVILLE: OS STEWARD.

DR. STEWARD: HERE.

MS. BONNEVILLE: SUZANNE SANDMEYER.

DR. SANDMEYER: HERE.

MS. BONNEVILLE: JONATHAN THOMAS.

CHAIRMAN THOMAS: HERE.

MS. BONNEVILLE: ART TORRES.

MR. TORRES: HERE.

MS. BONNEVILLE: KRISTINA VUORI.

DR. VUORI: HERE.

MS. BONNEVILLE: EVERYONE IS PRESENT.

THANK YOU SO MUCH.

CHAIRMAN JUELSGAARD: THANK YOU AS WELL.

SO WE'RE GOING TO LAUNCH RIGHT INTO THIS.

A PRESENTATION HAS BEEN PREPARED BY CHILA TO WALK US

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1 THROUGH WHAT'S HAPPENED TO DATE WITH THE EXISTING
2 BUDGET AND A PROPOSED BUDGET FOR THE COMING FISCAL
3 YEAR. SO WITH NO FURTHER ADO, CHILA, ARE YOU READY?

4 MS. SILVA-MARTIN: I AM READY. THANK YOU.
5 GOOD AFTERNOON, MR. CHAIRMAN, MEMBERS OF THE
6 COMMITTEE. THANK YOU FOR THE OPPORTUNITY TO PRESENT
7 THE 19/20 BUDGET REQUEST.

8 JUST A QUICK REVIEW OF THE AGENDA FOR THE
9 PRESENTATION TODAY. WE WILL FIRST LOOK AT THE 18/19
10 FISCAL YEAR. WE WILL COMPARE, AS OUR MR. JUELSGAARD
11 SAID, WE'LL COMPARE OUR EXPECTED YEAR-END RESULTS
12 AGAINST THE BUDGET THAT WAS AUTHORIZED IN THE 18/19
13 FISCAL YEAR, AND WE'LL LOOK AT WHAT DROVE THOSE
14 FINAL NUMBERS. THEN I'LL REVIEW THE 20 PROPOSED
15 BUDGET. WE WILL COMPARE THE BUDGET AGAINST THE
16 18/19 FISCAL YEAR, AND WE'LL REVIEW SOME OF THE
17 MAJOR DRIVERS IMPACTING THE REQUEST, AND THEN WE'LL
18 ALSO LOOK AT SOME POTENTIAL RISKS THAT MAY IMPACT
19 THE FINAL RESULTS DURING THE 19/20 FISCAL YEAR. AND
20 LAST, WE'LL COMPARE THE 19/20 BUDGET REQUEST AGAINST
21 WHAT WAS PRESENTED AT THE NOVEMBER 2017 TRANSITION
22 PLAN FORECASTING MEETING. FOR THAT, WE WILL REVIEW
23 THIS REQUEST AGAINST WHAT WE SAID IN NOVEMBER 2017
24 WE'D BE SPENDING FOR 19/20, AND THEN WE'LL REVIEW
25 THE REMAINING BALANCE IN THE LITTLE BUCKET.

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1 SO WE WILL FIRST START WITH THE CURRENT
2 FISCAL YEAR. SO THIS CHART HERE REFLECTS THE
3 NUMBERS AT THE CATEGORICAL LEVEL. SO THE FIRST
4 COLUMN REPRESENTS THE CATEGORIES OF EXPENDITURES.

5 LOOKING AT THE SECOND COLUMN, THAT
6 REFLECTS THE BUDGET THAT WAS AUTHORIZED FOR THE
7 18/19 FISCAL YEAR. SO IF YOU LOOK AT THE TOTAL THAT
8 WAS JUST OVER \$16.8 MILLION.

9 THE THIRD COLUMN REPRESENTS WHAT WE REALLY
10 EXPECT TO END THE FISCAL YEAR. SO THAT NUMBER IS
11 JUST UNDER \$15 MILLION, ACTUALLY \$14.9 MILLION.

12 AND THE LAST COLUMN SHOWS THE VARIANCES,
13 THE SAVINGS, THE OVERAGES. AS YOU CAN SEE, FOR EACH
14 OF OUR CATEGORIES OF EXPENDITURES, WE ARE SEEING
15 OVERALL SAVINGS WITH ABOUT \$1.9 MILLION OF
16 UNDERSPEND.

17 SO THERE ARE A FEW AREAS WHERE WE
18 EXPERIENCE THE LARGEST DOLLAR SAVINGS, AND THEY'RE
19 REPRESENTED BY THIS PIE CHART. THESE AREAS ARE
20 EMPLOYEE EXPENSES, EXTERNAL SERVICES, REVIEWS,
21 MEETINGS, AND WORKSHOPS. NOW I'D LIKE TO JUST
22 REVIEW EACH OF THOSE CATEGORIES BRIEFLY.

23 SO WE EXPECT TO HAVE A SAVINGS IN OUR
24 EMPLOYEE EXPENSES OF ABOUT \$739,000. SO WHY IS THIS
25 OCCURRING? AS YOU MAY RECALL, FOR THE 18/19 BUDGET,

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1 IT SUPPORTED 45 POSITIONS, THE NUMBER THAT WE FELT
2 WAS NECESSARY TO MEET OUR STRATEGIC GOALS. DURING
3 THE FIRST HALF OF THE YEAR AND ACTUALLY MORE LIKE
4 THE FIRST QUARTER OF THE YEAR, WE EXPERIENCED
5 SEVERAL VACANCIES.

6 WHENEVER WE HAVE A VACANCY, WE EVALUATE
7 THE WORKLOAD OF THE POSITION THAT HAS BECOME VACANT
8 AS WELL AS THE WORKLOADS OF OUR EXISTING TEAM
9 MEMBERS TO DETERMINE WHETHER THE POSITION NEEDS TO
10 BE FILLED OR WHETHER THE WORK CAN BE DISTRIBUTED TO
11 OUR EXISTING STAFF.

12 SO FOR SEVERAL OF THE POSITIONS, WE
13 DETERMINED THAT WE WOULD NOT FILL THE POSITIONS, BUT
14 RATHER DISTRIBUTE THE WORKLOAD TO EXISTING STAFF.
15 THIS IS REALLY A WIN-WIN SITUATION EXISTING TEAM
16 MEMBERS WITH OPPORTUNITIES TO ACQUIRE NEW SKILLS.
17 AND WE WERE ABLE TO ACCOMPLISH OUR WORKLOAD AND MEET
18 OUR GOALS.

19 IN A COUPLE OF INSTANCES, WE DID MOVE
20 FORWARD AND FILL POSITIONS. SO WE STARTED THE
21 FISCAL YEAR WITH 45 POSITIONS, AND WE ENDED AND ARE
22 CURRENTLY AT 40 FILLED POSITIONS, AND THE BUDGET
23 SUPPORTS ALL 40 POSITIONS. SO THAT'S WHERE WE ARE
24 SEEING THOSE SAVINGS.

25 ANOTHER AREA WHERE WE EXPERIENCED LOWER

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1 COSTS WAS EXTERNAL SERVICES. THAT'S REALLY
2 ATTRIBUTABLE TO TWO FACTS, EITHER THE EXPENSES ARE
3 COMING IN LOWER THAN WHAT WAS BUDGETED OR WE
4 BUDGETED FOR SOME EXTERNAL SERVICES THAT DID NOT
5 MATERIALIZE. SO, FOR EXAMPLE, IF YOU MAY RECALL,
6 THROUGHOUT CIRM'S LIFE, WE HAVE SECURED LEGAL
7 SERVICES FROM OUTSIDE COUNSEL. WE'VE HAD OUR OWN
8 LEGAL TEAM, BUT WE'VE ALSO HAD OUTSIDE COUNSEL.
9 THIS YEAR WE CONTINUED TO DO THAT; HOWEVER, OUR VERY
10 SMALL, BUT EFFICIENT LEGAL TEAM WAS ABLE TO
11 ACCOMPLISH THE MAJORITY OF THE WORK WITH OUR
12 EXISTING STAFF. THEREFORE, WE SAW A SIGNIFICANTLY
13 REDUCED EXTERNAL LEGAL SERVICES. OVERALL IN THIS
14 CATEGORY, WE ARE SEEING A SAVINGS OF ABOUT \$381,000.

15 ANOTHER AREA WHERE WE SAW LOWER COST IS IN
16 OUR REVIEWS, MEETINGS, AND WORKSHOPS. AGAIN, THE
17 SAME REASON AS THE LAST IS WE ARE SEEING -- IT'S
18 REALLY ATTRIBUTABLE TO TWO FACTS. EITHER THE COSTS
19 ARE COMING IN LOWER OR SOME OF THE EXPENSES HAVE NOT
20 MATERIALIZED. SO, FOR EXAMPLE, IN OUR GRANTS REVIEW
21 BUDGET, WE ACTUALLY HAD A TOTAL OF 15 REVIEWS THAT
22 BUDGETED FOR, BUT WE ANTICIPATE ONLY HOLDING 14 OF
23 THE 15 REVIEWS. AND THAT'S DUE TO OUR BIG BUCKET
24 BALANCES. AND THEN FOR MOST OF OUR OTHER MEETINGS,
25 INCLUDING GWG, BUT ICOC FOR OUR CLINICAL ADVISORY

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1 PANELS OR TRANSLATIONAL ADVISORY PANELS, WE ARE
2 SEEING THAT THE COSTS ARE COMING IN LOWER THAN WAS
3 BUDGETED. AND THAT'S REALLY ATTRIBUTABLE TO THE
4 TEAMS THAT ARE RESPONSIBLE FOR PUTTING TOGETHER
5 THOSE MEETINGS. BECAUSE THEY'RE VERY MINDFUL OF OUR
6 LIMITED FUNDS, THEY'VE WORKED VERY HARD TO SECURE
7 SERVICES AT LOWER RATES, AND WE ARE SEEING SAVINGS
8 IN THAT AREA.

9 SO THAT'S THE MAJOR PORTION OF THE 18/19
10 BUDGET. AND NOW I'D LIKE TO REVIEW THE 19/20
11 PROPOSED BUDGET.

12 AGAIN, THIS BUDGET IS PRESENTED TO YOU AT
13 THE CATEGORICAL LEVEL, AND THAT'S REPRESENTED BY THE
14 CATEGORIES IN THE FIRST COLUMN. AGAIN, THE SECOND
15 COLUMN REPRESENTS WHAT WAS ALLOCATED IN THE CURRENT
16 YEAR, THE 18/19 FISCAL YEAR. AGAIN, WE HAD A BUDGET
17 OF \$16,800,000. THE THIRD COLUMN REPRESENTS WHERE
18 WE EXPECT TO END THE YEAR, WHICH IS 14.9. AND THEN
19 THE LAST COLUMN REPRESENTS THE BUDGET ASK FOR 19/20,
20 WHICH IS \$15.6 MILLION.

21 SO IN COMPARING THE BUDGET YEAR OVER YEAR,
22 AGAIN, FOR THE 18/19/20 FISCAL YEAR, WE WERE
23 AUTHORIZED \$16.8 MILLION. WE EXPECT TO SPEND \$14.9
24 MILLION. OUR ASK IS \$15.6 MILLION, WHICH IS \$1.2
25 MILLION LOWER THAN THAT WAS AUTHORIZED IN THE 18/19

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1 FISCAL YEAR AND ABOUT \$700,000 HIGHER THAN OUR
2 YEAR-END FORECAST.

3 AND NOW I'D JUST LIKE TO REVIEW WHAT'S
4 ACCOUNTING FOR DRIVING THE \$700,000 DIFFERENCE.

5 FIRST OF ALL, AS YOU KNOW, WE ARE A STATE
6 AGENCY AND WE HAVE MANDATED COSTS FOR EMPLOYEE
7 BENEFITS. AND THOSE COSTS ARE INCREASING IN THE
8 19/20 FISCAL YEAR. SO THEY'RE SUCH COSTS AS
9 RETIREMENT, HEALTH. AND IN THE LAST YEAR THEY'VE
10 ADDED A NEW MANDATED BENEFIT, WHICH IS
11 POST-RETIREMENT HEALTH BENEFITS. SO ALL OF THOSE
12 ARE INCLUDED IN THE BUDGET AND ARE DRIVING THE COST
13 UP SLIGHTLY.

14 AND THEN WHILE I MENTIONED HOW OUR LEGAL
15 TEAM HAS DONE AN EXCELLENT JOB OF MAINTAINING
16 EXTERNAL SERVICES LOW, WE DID HAVE FUNDS THERE
17 SHOULD WE NEED ADDITIONAL EXTERNAL SERVICES DURING
18 THE YEAR. AND WE DID HAVE A SMALL BUDGET THAT WE
19 ADDED FOR I.T. SECURITY SERVICES WHICH IS CRITICAL
20 FOR MAINTAINING THE SAFETY OF ALL OF OUR I.T.
21 INFRASTRUCTURE.

22 AND THEN FINALLY, WE ARE ANTICIPATING THAT
23 OUR PORTFOLIO WILL INCREASE IN OUR CLINICAL AND
24 TRANSLATIONAL PROGRAMS, AND SO WE DO ANTICIPATE
25 INCREASED ACTIVITY IN THOSE AREAS. AND ALL OF THESE

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1 ARE DRIVING THE BUDGET REQUEST BY A LITTLE BIT OVER
2 \$700,000 BEYOND WHAT WE WILL SPEND IN THE CURRENT
3 YEAR.

4 NOW LOOKING AT RISK. SO WHILE WE DO WORK
5 VERY DILIGENTLY AT DEVELOPING THE BUDGET THAT
6 REFLECTS OUR CURRENT ACTIVITIES, THERE ARE SOME
7 FACTORS THAT WE CAN'T CONTROL. AND SHOULD THEY
8 OCCUR, THEY COULD HAVE AN IMPACT ON THE FINAL
9 NUMBERS NEXT YEAR. ONE OF THOSE IS TURNOVER. WE
10 SAW TURNOVER THIS YEAR. RIGHT NOW WE'RE FAIRLY
11 STABLE, BUT WE COULD SEE TURNOVER AGAIN NEXT YEAR,
12 AND THAT COULD IMPACT THE NUMBERS.

13 BECAUSE OF OUR LIMITED FUNDING, OUR
14 PORTFOLIO LEVELS MAY NOT MATERIALIZE AT THE LEVEL
15 ANTICIPATED, AND WE MAY SEE REDUCED ACTIVITY THERE.
16 SO SHOULD EITHER/OR BOTH OF THESE MATERIALIZE, THE
17 FINAL NUMBERS IN THE 19/20 FISCAL YEAR MAY BE
18 IMPACTED.

19 NOW I'D LIKE TO JUST BRIEFLY LOOK AT THE
20 BUDGET REQUEST AGAINST WHAT WE PRESENTED AT THE
21 TRANSITION PLANNING MEETING IN NOVEMBER OF 2017.

22 SO IN NOVEMBER OF 2017, THE TRANSITION
23 FORECAST INDICATED THAT WE THOUGHT WE WOULD SPEND
24 ABOUT \$15.7 MILLION FOR THE 19/20 FISCAL YEAR. AS
25 YOU CAN SEE, OUR BUDGET REQUEST IS 15.6. SO A

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1 HUNDRED DOLLARS LESS THAN WE HAD FORECAST BACK IN
2 NOVEMBER 2017.

3 I DO WANT TO POINT OUT THAT THE NOVEMBER
4 FORECAST WHEN WE REFLECTED THE NUMBERS, WE ONLY
5 INCLUDED THE LITTLE BUCKET BECAUSE THAT WAS OUR
6 FOCUS FOR THE TRANSITION PLAN. BUT AS YOU KNOW, OUR
7 BUDGET IS ACTUALLY SUPPORTED BY VARIOUS FUNDS LIKE
8 THE BIG BUCKET FOR LEGAL, AND THEN WE DO HAVE SOME
9 INTEREST FUNDS THAT SUPPORT THAT.

10 THIS LAST CHART REFLECTS THE FUNDS THAT
11 ARE AVAILABLE FOR THE LITTLE BUCKET TO SUPPORT OUR
12 OPERATIONS THROUGH THE REST OF OUR LIFE. AND AS YOU
13 WILL SEE FOR THE 18/19 FISCAL YEAR, 12.2 MILLION OF
14 THE 4.9 MILLION THAT WAS FORECAST COMES OUT OF THE
15 LITTLE BUCKET. OF THE 15.6 BUDGET ASK, WE EXPECT
16 THAT 12.6 WILL COME FROM THE LITTLE BUCKET, WHICH
17 THEN WILL LEAVE US ABOUT JUST A LITTLE BIT OVER \$20
18 MILLION THAT WILL SUPPORT OPERATIONS THROUGH THE
19 23/24 FISCAL YEAR.

20 SO THAT IS THE PRESENTATION. YOU ALSO
21 WERE PROVIDED WITH AN APPENDIX THAT PROVIDES A
22 BUDGET DETAIL FOR EACH OF OUR COST CENTERS. THIS
23 REALLY CONCLUDES THE PRESENTATION. AND WE ARE
24 REQUESTING YOUR APPROVAL OF THE 19/20 BUDGET. I'M
25 HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

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1 CHAIRMAN JUELSGAARD: ARE THERE ANY
2 QUESTIONS FOR CHILA? IF THERE ARE NO QUESTIONS, IS
3 THERE A MOTION THAT WE RECOMMEND TO THE ICOC THE
4 ADOPTION OF THIS BUDGET FOR THE COMING FISCAL YEAR?

5 CHAIRMAN THOMAS: SO MOVED.

6 CHAIRMAN JUELSGAARD: IS THERE A SECOND?

7 MR. TORRES: SECOND.

8 CHAIRMAN JUELSGAARD: IS THERE ANY
9 DISCUSSION ON THAT MOTION? IF NOT, MARIA, WILL YOU
10 CALL THE ROLL .

11 MS. BONNEVILLE: STEVE JUELSGAARD.

12 DR. JUELSGAARD: YES.

13 MS. BONNEVILLE: JEFF SHEEHY.

14 MR. SHEEHY: YES.

15 MS. BONNEVILLE: OS STEWARD.

16 DR. STEWARD: YES.

17 MS. BONNEVILLE: SUZANNE SANDMEYER.

18 DR. SANDMEYER: YES.

19 MS. BONNEVILLE: JONATHAN THOMAS.

20 CHAIRMAN THOMAS: YES.

21 MS. BONNEVILLE: ART TORRES.

22 MR. TORRES: AYE.

23 MS. BONNEVILLE: KRISTINA VUORI.

24 DR. VUORI: YES.

25 MS. BONNEVILLE: MOTION PASSES.

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CHAIRMAN JUELSGAARD: THANK YOU ALL .
NEXT, WE ARE CLOSE TO ENDING THE MEETING. IS THERE
ANY PUBLIC COMMENT? I TAKE IT THERE'S NO OTHER
COMMITTEE COMMENT, IS THERE?

MR. TORRES: NO, THANK YOU.

CHAIRMAN JUELSGAARD: IF NOT, THEN THE
MEETING IS ADJOURNED.

(THE MEETING WAS THEN ADJOURNED AT
1:13 P.M.)

REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE TELEPHONIC PROCEEDINGS BEFORE THE FINANCE SUBCOMMITTEE OF THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD ON MAY 15, 2019, WAS HELD AS HEREIN APPEARS AND THAT THIS IS THE ORIGINAL TRANSCRIPT THEREOF AND THAT THE STATEMENTS THAT APPEAR IN THIS TRANSCRIPT WERE REPORTED STENOGRAPHICALLY BY ME AND TRANSCRIBED BY ME. I ALSO CERTIFY THAT THIS TRANSCRIPT IS A TRUE AND ACCURATE RECORD OF THE PROCEEDING.

BETH C. DRAIN, CA CSR 7152
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